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## INFORMATION REPORT

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SUBJECT Impressions of Chinese Economy Received  
by South China Businessmen on a Mainland Tour

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1. The group of prominent industrialists and merchants of Hong Kong and Macao who returned from a three-month tour of China brought back with them the impression that Communist China is rapidly emerging from economic chaos and is making progress in its efforts of economic self-sufficiency. Although the party recognized that full recovery was not yet accomplished, their personal observation had given them confidence in China's economic rehabilitation.
2. The party of forty members who made the tour was headed by WONG Cheung-shui,\* chairman of the Hong Kong Fukienese Chamber of Commerce, with MOK Ying-kwei,\* official representative of the Hong Kong Chinese Chamber of Commerce, and CHAN Kun-lan,\* chairman of the Hong Kong Weavers' Association, as deputies. Before their departure, in May, some members of the group were sceptical, others curious, but all were eager to see for themselves what lay behind the "bamboo curtain." Their object was first to undertake a firsthand investigation of economic conditions in Communist China and second to seek means of reviving Hong Kong's commercial and industrial market by coordinating trade relations with the mainland. Their itinerary included thirteen leading cities such as Hankow, Shanghai, Tientsin, Peiping, and in the Northeast, Mukden, Changchun, Harbin, Penchih, Fushun, Anshan, Dairen, and Port Arthur.
3. The first impression felt by the group was that the farther north they went, the greater was the extent of economic prosperity. From Canton to Port Arthur, conditions appeared progressively better. They attributed this development to that fact that the Northeast has had the longest time to carry out reforms and get itself on its feet. In three years, they felt it had become a veritable modern utopia,\*\* with, as CHAN Kun-lan stated, "no beggars, no unemployed, and no prostitutes."
4. The agrarian reform carried out by the Peiping government appeared to the investigation party a step in the right direction, in that it creates an incentive for the farmers, as owners, to put their best efforts into improving production. Land reform, followed by government guidance in organizing mutual

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aid and cooperative societies, instruction in better production methods, and improvement of farm implements, has resulted in increased agricultural yields in the Northeast and improved living conditions among the peasants.

5. The party was taken to visit a small village about ten miles from Harbin where agrarian reform has been effective since 1947. Each of the 887 inhabitants of the village had received half a hsiang\*\*\* of land, and the village had cultivated altogether 458 hsiang of farmland, had reclaimed 52 hsiang of wasteland, and was reclaiming an additional 53 hsiang in 1950. During the four cold months when no farm work could be done, the villagers devoted themselves to other industries. When inspected, the village appeared prosperous, all the people were neatly dressed, houses were clean and in good repair, all houses had electric lights, and radios were not uncommon. Primary schools were functioning for children and supplementary night classes for adults. Taxation, it was pointed out to the visitors, was only 2,300,000 tons of grain in 1949, in contrast to eight million tons under the Japanese occupation.
6. The extent to which the conditions of farmers have improved was gauged by the consumption of cotton cloth. In 1947, farmers purchased 880,000 rolls, in 1948, 1,200,000 rolls, and in 1949, 3,200,000 rolls. With a first season purchase of 2,400,000 rolls in 1950, the estimated consumption for the year is 9,000,000.\*\*\*
7. Their trip convinced the visitors that, contrary to general report, Communist policy has not eliminated the capitalist class. Capitalists still have a place; although all large and important industries and enterprises are under state ownership or government control, private business is encouraged to develop parallel to state industry. Moreover, the amount of Chinese private capital investment is calculated to have increased from 0.2 percent during the Japanese occupation in 1945 to 12.5 percent of total investment in 1949. Private enterprises include such categories as textile manufacturing and dyeing, rubber manufacturing, flour milling, canning, and manufacture of office equipment and stationery.
8. In the Northeast, 35 percent of production is industrial, and the percentage is expected to increase to 43 in 1950. In Shanghai, although all industries suffered great difficulties immediately after the Communist occupation, from taxation, victory bonds, and the Nationalist blockade, the situation in spring 1950 had improved. In the textile industry, for example, production had increased from April to June 40 percent for cotton yarn and 50 percent for cotton piece goods, and consumption in these two fields had grown 44 and 90 percent respectively. The Wing On Textile Mill had had to add four night shifts a week.
9. Labor-employer relations are very close, with an atmosphere of mutual understanding and cooperation. At the Peiyang Cotton Mill in Tientsin, for example, the management set aside 1.5 percent of the net profit for a Labor Welfare Fund and provided creches, clinics, and night schools for the workers. Such measures have so favorably impressed the workers that within a year the mill production increased nearly 50 percent, and the workers themselves have organized contests to eliminate waste of raw material.
10. Government aid and encouragement have helped to put some industrial and commercial enterprises on their feet. To help solve problems of supply and marketing, the government sometimes increases working hours, places orders, offers loans, or acts as agent to buy and sell commodities, and it aids factories to establish cooperative offices for sales or purchases to eliminate paying middlemen. Three factories cited as examples are the Yung Li Industrial Chemical Works at Tangku, the East Asia Gunny Bag Factory in Tientsin, and the Jen Li Rug Factory in Tientsin. The Yung Li firm, with some three thousand workers, producing caustic

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soda, sulphuric acid, and refined salt, was about to collapse, when the government ordered it to use up its raw material stocks and continue operation; at the same time, the government bought up the major portion of its products. The gunny bag factory, unable to reopen after the Communist take-over, was given government assistance in utilizing Chinese jute and received a government order for 7,602,000 gunny bags. The government bought up a large stock of rugs from the Jen Li plant and suggested substituting wool from Northwest China for the Australian product previously used.

11. Six members of the inspection group were asked to participate in the National Import and Export Trade Conference held in Peiping on 13 July. They observed that questions of government and private trade relations foreign trade, and contracts were worked out in an atmosphere of frankness, that everything was given adequate consideration, and that the greatest accomplishment was demarcation of the scope of activities and promotion of closer cooperation between publicly and privately operated enterprises.
12. In the commercial field, the investigators saw improvements everywhere. They observed the city streets in the Northeast filled with stores and shops and the large privately-owned department stores in Harbin, Dairen, and Mukden. They were told that more than five hundred industrial and commercial firms had appeared during 1949 in the Northeastern cities. In Shanghai also, the Wing On, Sincere, Sun Sun, Sun, China Emporium, and Lei Wah department stores had shown a 120 percent increase during 1950. In Canton, even between the beginning of the tour in May and its conclusion in August, many shops and stores had made renovations and Chinese merchants who had fled to Hong Kong were returning to reopen their businesses.
13. The visitors felt that the stabilization of currency and of commodity prices was one of the most outstanding achievements of the Communist regime. They also were informed that the national revenue conference had readjusted taxes and simplified and reduced the number and kind during the summer of 1950. Since the first issue of victory bonds had proved unwelcome, the government had decided to withhold a second issue for the time.
14. Social welfare developments were especially noticeable in the Northeast. Maternity hospitals and creches with free service are provided, and working mothers receive ample childbirth leave. Prison inmates are well treated, are not in prison garb, are well fed, and work in accordance with their abilities. Prison programs include two hours of reading and discussion daily. Prison officials are unarmed, and no distinction in treatment is made between Chinese and Soviet prisoners. Pickpockets have been rounded up and are being taught new trades in reformatories.
15. In general, the visitors found living conditions good as result of stabilized prices, especially in the Northeast. Commodities appeared cheap in all parts of the country, and it was specifically noted that butter and milk were cheaper and of better quality in Changchun and Harbin than in Hong Kong. The great demand for technical personnel in the Northeast has relieved unemployment in other areas as workers migrate to new jobs in Manchuria.
16. The party found Peiping authorities willing to cooperate in working out new handling for Hong Kong trade with the mainland. The delegation stressed the importance to Hong Kong of trade with China and begged for a reduction of import duties on goods from Hong Kong, which, they pointed out, were mainly produced

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by Chinese labor and financed by Chinese capital. The government agreed in principle to the delegation's views and suggested that Hong Kong formulate concrete proposals and submit them to the South China Trade Bureau for consideration.

17. In line with the reactions of this inspection group\*\*\*\*\* with regard to the Communists, the businessmen of Hong Kong in late September were showing greater sympathy with Peiping and decreasing support for the Nationalists. Typical of their attitude is the fact that in September when Hong Kong Chinese formed a committee to prepare for the celebration of 1 October as the Chinese Communist anniversary, the committee included lawyers, merchants, and well-to-do businessmen, and the Chinese Chamber of Commerce and the Hong Kong Chinese Manufacturers Union joined it as a body.

25X1C \* [REDACTED] These names were received without characters and are therefore given in Cantonese romanization only.

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25X1C \*\*\* [REDACTED] A hsiang equals 15 mou, or about two and a half acres; each person therefore received one and one-fourth acres.

25X1C \*\*\*\* [REDACTED] No basis of calculation was given for any figures, and all such statements must be considered as general rather than statistically accurate.

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